



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
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IN REPLY REFER TO

NAVAIRINST 4440.12
AIR-6.D1
07 Feb 1995

NAVAIR INSTRUCTION 4440.12

From: Commander, Naval Air Systems Command

Subj: PHYSICAL INVENTORY PROGRAM

Ref: (a) NAVAIRINST 4400.5
(b) NAVCOMPT Manual, Vol. V, para. 054304
(c) NAVSUPINST 4440.115G
(d) SECNAVINST 5500.4F
(e) DOD Manual 7200.10M

Encl: (1) Definitions
(2) SPITFIIRE Inventory Procedures and Parameters
(3) Standardized Error Codes
(4) Unscheduled Physical Inventory Results Report

1. Purpose. This instruction provides policy and reporting criteria for the Physical Inventory Program in the Naval Aviation Depots (NAVAVNDEPOT's).

2. Cancellation. This instruction supersedes NAVAVNLOGCEN Instruction 4440.5 of 5 May 1986. This is a new Naval Air Systems Command (NAVAIR) instruction, no changes from the NAVAVNLOGCEN version are indicated.

3. Scope. This instruction is applicable to all material inventories in the NAVAVNDEPOT's excluding pre-expended material.

4. Definitions. See Enclosure (1).

5. Discussion

a. Reference (a) sets forth policy and procedures for establishing, managing, and controlling material inventories at the NAVAVNDEPOT's. Among those policies is the assignment to the NAVAVNDEPOT Comptroller the responsibility for ensuring that an annual physical inventory is conducted and that the results are reflected on the inventory records.

b. Reference (b) directs physical inventories at Defense Business Operating Fund (DBOF) activities be conducted. These physical inventories are to be conducted in accordance with procedures of reference (c) which provides policy for utilizing



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(a) A warehouse refusal occurs when NIMMS records indicate an on-hand balance but material cannot be located to satisfy a requisition. Storeroom personnel will conduct a spot inventory of all warehouse refusals.

(b) A spot inventory will be conducted for all sensitive and pilferable items that have experienced a warehouse refusal.

(c) NIMMS records will be adjusted to reflect the new on-hand balances.

(2) In-house Receipt Losses. An inventory will be conducted for all in-house receipt losses.

(3) Location Survey. When the following stock record variances are identified:

(a) Material found in an unrecorded location.

(b) Potential gains (material found/zero stock record balance).

(c) Potential losses (no material found/on-hand stock record balance).

b. Scheduled Inventory Requirements

(1) General Material and Supplies (DBOF). A random statistical sample inventory of the total population of DBOF items in storage will be conducted at least once quarterly to determine an activity's overall inventory accuracy rate. SPITFIIRE will be used to perform the sample inventory. Mandatory strata for each quarterly sample inventory are:

(a) Class A - High Dollar Value. Unit price greater than \$500.00.

(b) Class B - High Frequency. When 1st Past Quarterly Frequency is greater than 5.

(c) Class C - High Variability. Conversion factor NE (not equal) to one (1).

(d) Class D - All Other. All DBOF and DMI items not included in Classes A, B, or C above.

(e) Activities have the option to perform an annual wall-to-wall or cyclical inventory in addition to quarterly sample inventories.

(2) Controlled Inventories. An inventory will be set up, or stratified, to allow a separate determination for each of the following controlled items/materials. To accomplish this, a complete physical inventory (100% confidence level) must be performed to meet the following requirements. Inventory requirements for controlled items are as follows:

(a) Narcotics, drug abuse items, alcohol and precious metals require a total inventory quarterly.

(b) Classified items require a total inventory semiannually.

(c) Pilferable items require a total inventory semiannually. See enclosure (1) for definition.

(d) Radioactive Items require a total inventory semiannually.

(e) Hazardous Material. A complete inventory of all hazardous material stored for use at an activity will be accomplished annually.

(f) 'V' purpose (repairable support inventory assets) require a total annual inventory.

(3) Direct Material Inventories. An inventory will be set up, or stratified, to allow a separate determination of DMI inventory accuracy for each storeroom. Inventories for storerooms are required to be taken one month prior to the customer order start date or at the end of one year, whichever comes first. A complete inventory is required for DMI storerooms (100% confidence level) meeting this criteria.

(4) Customer Furnished Inventories. It will be the responsibility of the cognizant depot to maintain custody records of such materials. It is also the cognizant depots responsibility to perform physical inventories of these materials to preclude its loss; however, the results of these physical inventories are not reported to higher authority.

9. Physical Inventory - Resource Allocation

a. The Comptroller Department will exercise control over the Physical Inventory Program by monitoring the random statistical sampling, annual wall-to-wall inventories, and ensuring quality control checks on inventory and location survey accuracy are performed.

random statistical sampling techniques in lieu of annual wall-to-wall inventories. These procedures are to be used on Material and Supplies and Direct Material Inventories (DMI).

c. As described in reference (c), the NAVAVNDEPOT's Physical Inventory Program will be composed of four functions: location survey, location reconciliation, physical inventories, and quality control checks.

6. Responsibilities

a. NAVAIRSYSCOM. The Director of Industrial Operations (AIR-6.D) will:

(1) Provide policy guidance and interpretation for material management-related issues to the NAVAVNDEPOT's.

(2) Perform as liaison between NAVAIR and NAVSUP for Supply/Material Support policy related issues for the NAVAVNDEPOT's.

(3) Monitor the material management operating procedures of each NAVAVNDEPOT.

(4) Act as the central point of contact for advocacy or resolution of material management issues affecting the NAVAVNDEPOT's.

b. NAVAVNDEPOTOPSCEN. The Material/Financial Management Department NADOC-6.0D2 will monitor inventory accuracy of all NAVAVNDEPOT's, compile inventory accuracy statistics, and advise AIR-6.0D of the effectiveness of the Physical Inventory Program on a quarterly basis.

c. NAVAVNDEPOT's. The Commanding Officers of the NAVAVNDEPOT's are responsible for:

(1) Compliance with the policies and procedures contained in this instruction. Authorization to deviate from same must be approved by AIR-6.D prior to implementation.

(2) Assigning responsibility for the Physical Inventory Program within the NAVAVNDEPOT to the Comptroller and allocating sufficient resources to implement and carry out the provisions of this instruction.

(3) Appointment of an individual Inventory Accuracy Manager at each depot to be responsible and accountable for the development, implementation and execution of each depots

inventory accuracy program.

(4) Placing command emphasis on the importance of inventory and associated financial record accuracy and the implementation and maintenance of this program.

(5) Developing local procedures for implementation, adhering to the parameters established by this instruction, and the guidelines set forth in references (a) through (e).

(6) Developing and maintaining an inventory training program to ensure that inventory personnel receive training necessary to take accurate counts, identify storage discrepancies, conduct location surveys, and reconcile in-process transactions and counts with record balances.

(7) Establishing local security/control procedures to limit the access to storerooms and the Naval Air Systems Command (NAVAIR) Industrial Material Management System (NIMMS) terminals to ensure the integrity of the physical inventory and related data is maintained.

(8) Tasking an independent internal organization (Internal Review, Quality Assurance, etc.) to establish quality control checks on the accuracy of inventory and storage location records. These quality control checks should be based on sampling techniques outlined in reference (c) and the results used as a management tool to identify trends and problem areas.

7. Physical Inventory Policy. The overall goal of the Physical Inventory Program is to ensure accuracy of the perpetual inventory records of the NIMMS System and financial records of the NAVAIR Industrial Financial Management System (NIFMS). Maximum use will be made of statistically valid sampling methodology to continuously validate inventory accuracy and to identify those segments of the overall inventory most in need of inventory attention. This will ensure that maximum benefits are derived from the resources allocated to the physical inventory program. The success of the physical inventory program has a direct impact on material availability; accurate, timely procurement actions; and overall material effectiveness. Attainment of this goal will improve the quality of budgets and enhance the material support of production lines.

8. Physical Inventory Requirements

a. Unscheduled Inventory Requirements

(1) Spot Inventories of Warehouse Refusals

c. There is conclusive documentation that the original adjustment was in error.

17. Review of Adjustments. The Comptroller and the Inventory Accuracy manager will review with the appropriate plant manager all physical inventory statistics, all adjustments requiring causative research, and all accompanying explanations of discrepancies and errors in order to establish procedures for avoiding similar errors in the future.

18. Performance Measurements Goals. Inventory and location survey performance will be monitored and compared against the following goals:

a. Material Denial Goal. (i.e., Warehouse Refusals): Not greater than 1 percent denial rate.

b. Receipt Processing Goal. An average receiving time of less than two (2) days for normal receipts, including non-standard material. Receipts requiring application of special quality control or testing procedures prior to stowing, such as critical aircraft support items, are exempt from this receipt processing goal.

c. Location Survey. NAVAVNDEPOT's will maintain a location survey accuracy of no less than 97 percent.

d. Line Item Accuracy. Performance goals for the quarterly random statistical sample inventories are as follows:

(1) Class A - High Dollar Value (unit price greater than \$500.00). Goal: $95\% \pm 0\%$ tolerance for inventory accuracy.

(2) Class B - High Frequency First past Quarterly Frequency greater than five (5). Goal: $95\% \pm 5\%$ tolerance for inventory accuracy. (For measurement purposes, an inventory is not considered an "error" if the physical count is within the specified tolerance of the recorded on-hand balance)

(3) Class C - High Variability Conversion factor NE to 1. Goal: $95\% \pm 10\%$ tolerance for inventory accuracy.

(4) Class D - All other. Goal: $95\% \pm 5\%$ tolerance for inventory accuracy.

e. Gross Monetary Adjustment (GMA) Rate. Gross adjustment rate will be measured for inventories as follows: Gross adjustment rate expressed as the ratio of absolute dollar value of gains plus losses to the dollar value of line items

b. Material Management will provide technical expertise for matters concerning NIMMS procedures, and provide training and assistance to personnel for inventory teams assigned to perform inventory functions. Material Management also may be required to provide personnel for inventory teams.

10. Conduct of Physical Inventories

a. A physical inventory consists of four steps: Physical counts, postcount validation (comparing physical count to inventory record balance after considering in-process transactions), preadjustment research (investigation of potential discrepancies between physical counts and inventory record balance considering in-process transactions) and causative research. The physical inventory will be considered complete when the inventory on-hand balance of each item has been determined and processed to the inventory and financial records.

b. A reconciliation of serial numbers will be conducted as part of physical inventories for any material controlled on a serial number basis.

c. Inventory procedures will be established to ensure positive control over all in-process inventory transactions supporting NAVAVNDEPOT operations conducted during the accomplishment of a physical inventory. The procedures must provide the capability to determine the timing relationship of in-process transactions to the physical count (e.g., was a receipt stowed prior to or after the count). If positive control of in-process transactions and material cannot be achieved, one of the following actions will be taken:

(1) Suspend processing of low priority issues while the item is under inventory, or

(2) A "shut-down" or "closed" inventory in which all transaction and material processing is frozen is permitted if customer support will not be adversely affected.

d. NAVAVNDEPOT custody of "V" Purpose code assets. NAVAVNDEPOT will provide assistance to Fleet Industrial Support Center (FISC) personnel in physical counts and complete a Report of Survey (DD-200) for lost assets. Reference (c) provides guidance on report of Survey (DD-200) processing requirements.

11. Post-count Validation and Preadjustment Research

a. Physical inventory adjustment gains or losses less than \$500 per line item, considering any in-process transactions, will be re-counted and afterward recorded via SPITFIIRE upload without

further validation.

b. Physical inventory gains or losses of \$500 or greater per line item, considering any in-process transactions, will be re-counted and researched prior to recording any adjustment. Research will include verification of storage locations, accounting for in-process transactions, and recounts.

c. Upon completion of preadjustment research, process physical inventory adjustments and make available to the Comptroller for review.

12. Special Reporting Requirements. Missing, Lost, Stolen, or Recovered (MLSR) Government Property Report. A MLSR report is required whenever there has been a gain or loss of sensitive material (arms, ammunition, explosives, precious metal, and classified government material). The MLSR report is to be used only as the initial report of the gain/loss of sensitive material. A Report of Survey (DD-200), Report of Discrepancy (SF-364), or Transportation Discrepancy Report (SF-361) is required as the final documentation of the gain/loss. Reference (d) provides detailed guidance on MLSR processing requirements.

13. Causative Research

a. General. Causative research is an in-depth investigation of selected scheduled and unscheduled inventory adjustments to determine why they occurred. Those errors or problems identified as a result of the causative research effort will be corrected. Unprocessed and/or incorrectly processed transactions will be corrected to accurately reflect audit trail history. Causative research results will be summarized and used as input to direct management actions to prevent reoccurrence.

b. Time Frames. Causative research will be conducted after the physical inventory adjustments have been posted to the inventory and financial records. Causative research must be completed within 10 working days from the completion date of the physical inventory or spot inventories.

c. Review of causes. The results of the causative research effort will be reviewed at least quarterly by the Comptroller and other day management personnel whose functions are responsible for or will be affected by the errors identified.

d. Criteria for causative research. The following adjustments will undergo causative research:

- (1) All physical inventory adjustment gains and losses

of controlled items.

(2) All physical inventory adjustments of \$200 or more if the item is pilferable.

(3) Other items with adjustments of \$500 or more per line item.

14. Report of Survey. When causative research efforts have failed to yield the cause of a material gain or loss, a Report of Survey will be prepared, in accordance with reference (e), for the following stocks.

a. Sensitive items; e.g., precious metals, when any discrepancy exists, regardless of dollar value. A MLSR is also required for sensitive items as the initial report of the gain or loss of the material.

b. Classified items regardless of dollar value. MLSR also required.

c. Arms, ammunition, and explosives regardless of dollar value. MLSR also required.

d. Pilferable, valuable and attractive items which are easily convertible to personal use when the extended dollar value of line item discrepancy is \$200 or more.

e. Any discrepancy or repetitive losses when there is an indication or suspicion of fraud, theft, or negligence.

f. Non-controlled items, when the extended dollar value of a line item physical inventory adjustment is equal to or greater than \$500.

15. Location Survey. A complete location audit for all DBOF and DMI inventory locations will be performed once each fiscal year.

16. Reversal of Inventory Adjustments. Reversal of physical inventory adjustments may be made within 90 days of completion of the physical inventory only if all of the following conditions are met:

a. The original transaction or adjustment can be identified.

b. There has been no physical inventory conducted between the date of the original adjustment and the date the reversal is attempted.

inventoried during scheduled and unscheduled inventories should not exceed 3 percent per quarter.

$$\frac{\text{TOTAL DOLLAR VALUE GAINS} + \text{TOTAL DOLLAR VALUE LOSSES}}{\text{TOTAL DOLLAR VALUE INVENTORIED (SCHEDULED AND UNSCHEDULED)}}$$

19. Physical Inventory Requirements. The normal methodology for the SPITFIIRE sample taking is to perform a quarterly overall sample of all storerooms. However, storerooms that indicate an inventory accuracy of below 65% are required to have follow-up samples taken. If the individual storeroom sample confirms that the accuracy is below acceptable levels of 65% the storeroom will undergo individual sampling for four consecutive quarters to improve the accuracy rate.

20. Mandatory Wall-to-Wall Physical Inventories. If any individual storeroom accuracy rate averages less than 65% for two consecutive quarters using the SPITFIIRE system the local inventory accuracy manager or higher management may elect to have the depot perform a location audit and cycle count or wall-to-wall inventory. However, if any individual storeroom accuracy rate averages less than 65% for four consecutive quarters, a mandatory location audit and cycle count or wall-to-wall inventory will be conducted.

21. Physical Inventory Record Retention. NAVAVNDEPOT's will retain for two years all physical inventory documentation (e.g., count records, adjustments, schedules, research documents, quality control checks, reports, etc.).

22. Physical Inventory Reporting

a. Within 15 calendar days after the end of each quarter, each NAVAVNDEPOT will complete and submit to NAVAVNDEPOTOPSCEN (CODE-6.0D2) the results of the previous quarter's inventories. Information to be reported are the specified SPITFIIRE reports of enclosure (2) and the appropriate number of reports created at the "STRATA" level using the procedures of enclosure (2).

b. Depot personnel performing causative research shall use the standard error codes, provided as Enclosure (3), to classify all error causes.

c. Using the sample report of enclosure (4), depots shall report all Unscheduled Inventories performed during the reporting period. This will give NAVAVNDEPOTOPSCEN (CODE-6.0D2) more complete statistics for data comparison.


d. These physical inventory statistics will form the basis

of a new NAVAVNDEPOT performance evaluation measure. Statistics provided on these reports will be used by NAVAVNDEPOTOPSCEN and NAVAIRSYSCOM to monitor performance and to determine how well each NAVAVNDEPOT is managing its assets.

23. Effective Date. NAVAVNDEPOT's will implement the provisions of this instruction and submit a copy of the implementing instructions to NAVAIRSYSCOM (AIR-6.D) within 90 days of this instruction date.

24. Reports.

a. Unscheduled Physical Inventories and Total GMA will be reported in the format shown in enclosure (4).



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DEFINITIONS

ACCOUNTABILITY. "Accountability" is defined as the assignment to an individual of duties which require the receipt for and assumption of jurisdiction and continuous security over public funds or public property which may come into that person's physical possession as the result of that individual's position, designation, or assignment. In addition, the accountable person is required to exercise immediate personal supervision of the stowage, the storage spaces, the maintenance of required records, and the proper disposition of property.

ACTUAL CUTOFF DATE. At the close of business on this date, the stock record balances of those items under physical inventory will be summarized. Physical count quantities will be compared against these summarized balances, after consideration of in-process transaction, to determine whether or not the stock record is correct.

CAUSATIVE RESEARCH. An in-depth investigation of certain selected adjustments to determine why they occurred so that corrective actions may be taken. Causative research consists of a complete review of all transactions, (to include supporting documentation, catalog change actions, shipment discrepancies, and un-posted or rejected documentation) since the last inventory. Security officials will be notified when the results of causative research indicate that the adjustment was due to theft.

CONTROLLED INVENTORY ITEMS. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to insure their safeguard or integrity. Controlled inventory items in descending order of degree of control normally exercised are:

a. **CLASSIFIED ITEMS.** Material which requires protection in the interest of national security.

b. **SENSITIVE ITEMS.** Material which requires a high degree of protection and control due to statutory requirements or regulations, such as narcotics and drug abuse items; arms; ammunition; explosives; and demolition material.

Enclosure (1)

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c. PILFERABLE ITEMS. Material having a ready resale value, or application for personal possession and which is, therefore, especially subject to theft.

CUSTOMER FURNISHED INVENTORIES. Material supplied by NAVAVNDEPOT customers for use on specific jobs. These materials belong to customers not the Defense Business Operating Fund (DBOF). Ownership may be relinquished by the customers if the items are not used on the specific or subsequent jobs, and the assets may be returned to a local Supply Center or capitalized into the DBOF Material Supplies Inventory. Although these inventories are not yet owned by the NAVAVNDEPOTs, the NAVAVNDEPOTs are responsible for the inventory management of the assets, including physical inventory.

DIRECT MATERIAL INVENTORIES. Material procured for use on specific customer orders and retained on NAVAVNDEPOT inventory records for those customer orders. Direct Material Inventories are held within the DBOF and are managed essentially in the same manner as Material and Supplies Inventories.

IN-PROCESS TRANSACTION. Any issue, receipt, or other supply transaction accomplished during an ongoing physical inventory and which effects the inventory record balance of an item undergoing the physical inventory.

INVENTORY RECORD. The record on which on hand asset balances, transactions affecting those balances, and other inventory information is recorded. In the computerized environment of the NAVAVNDEPOTs, the inventory records are maintained in the NIMMS.

LOCATION RECONCILIATION. A match between valid asset location and inventory records, in order to identify and correct situations where assets are in shop store but not on inventory records, or on inventory records but assets are not in the shop store, or where common elements of data do not match. Research of mismatches, including special inventories when required, result in corrective action.

LOCATION SURVEY. A physical verification, other than actual count, between asset location on inventory records and the actual storeroom location. A location survey is conducted to ensure assets are properly recorded as to location, identity, condition, and unit of issue.

MATERIAL AND SUPPLIES INVENTORIES. Material held in DBOF stores of the NAVAVNDEPOTs to furnish direct and indirect material support to production shops or for general use.

PHYSICAL INVENTORY. The procedure by which it is determined if the inventory record balance is in agreement with on hand assets at the storage site. Physical inventory consists of physical counts of storeroom material and comparison of those counts with the inventory balances after consideration of in-process transactions. A physical inventory is not considered complete until the inventory record balance has been determined to be correct or an adjustment is processed.

SPITFIIRE INVENTORY PROCEDURES AND PARAMETERS

I. DBOF Active, Insurance and Foreseeable Future Requirement Account Material

DBOF Active, Insurance and Foreseeable Future Requirement Account Material (hereafter referred to as S/S) inventories will be setup and executed using the following parameters, characteristics, and procedures. These parameters will provide a valid sample of the entire NADEP DBOF inventory. Although statistics will be provided at the individual shop store level individual shop store sample sizes may be too small to be used as two different shop stores for an example. To provide inventory data for all shop stores, the sample setups in subparagraphs 1.b., 1.c., 1.d., and 1.e. below would simply be repeated for each additional shop store.

Note: The following listed DBOF inventories are regarded as controlled items; classified, pilferable, precious metal, and hazardous materials. These inventories will be subjected to specified wall-to-wall physical inventory with a 100% Confidence level required when using SPITFIIRE.

1. Enter the setup parameters as follows:

- a. Setup Code: Use the standardized NADEP code from the list below and date.

STANDARD NADEP CODES

ALANAD = Naval Aviation Depot Alameda
CPNAD = Naval Aviation Depot Cherry Point
JAXNAD = Naval Aviation Depot Jacksonville
NORNAD = Naval Aviation Depot Norfolk
NISNAD = Naval Aviation Depot North Island
PENNAD = Naval Aviation Depot Pensacola

Inventory Type: S/S
Allocation Method: P (proportional)
Estimated Confidence: 95%
Estimated Bounds: 3%
Overflow: N
Total Number of Sub-Strata: 8 (4 times the number of individual shop stores set up.)
Total Number of Strata: 6 (4 plus the number of individual shop stores set up).

ENCLOSURE (2)

Overall S/S Inventory: Strata 3, 4, 5 and 6 only
need be run two times a year.

Overall Variable Accuracy Summary Settings:

Setting	Var. Acc. %	Var. Acc. \$	Combined
1	1	100	5% & 500
2	5	500	
3	10	800	

Override: None

- b. Substrata Number: 1
 Substrata Name: S/S #1 High Dollar Value Items
 Priority Number: 1
 Estimated Accuracy: 65% until a historical
 baseline is established. If actual accuracy is
 known it may be used (warning: use of an
 inappropriately high accuracy level may result
 in an invalid sample size after computation of
 the actual inventory results).
 Cost of Sample: 1 (system default)
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	1	AND
UP	GT	500	AND

- c. Substrata Number: 2
 Substrata Name: S/S #1 High Frequency
 Priority Number: 2
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 5
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	1	AND
FRI	GE	6	AND

- d. Substrata Number: 3
 Substrata Name: S/S #1 Store UI Not Equal STD
 UI

Priority Number: 3
Estimated Accuracy: 65% or historical
Cost to Sample: 1
Variable Accuracy %: 10
Variable Accuracy \$: 0
Safety Size: 5
Selection Criteria:

Attribute	Relation	Value	Conjunction
CNV	NE	1	AND
SSL	EQ	1	AND

- e. Substrata Number: 4
Substrata Name: S/S #1 All Other Items In Population
Priority Number: 4
Estimated Accuracy: 65% or historical
Cost to Sample: 1
Variable Accuracy %: 5
Variable Accuracy \$: 0
Safety Size: 5
Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	1	AND

- f. Substrata Number: 5
Substrata Name: S/S #2 High Dollar Value
Priority Number: 5
Estimated Accuracy: 65% or historical
Cost of Sample: 1
Variable Accuracy %: 0
Variable Accuracy \$: 0
Safety Size: 5
Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	2	AND
UP	GT	500	AND

- g. Substrata Number: 6
Substrata Name: S/S #2 High Frequency
Priority Number: 6
Estimated Accuracy: 65% or historical
Cost to Sample: 1
Variable Accuracy %: 5
Variable Accuracy \$: 0
Safety Size: 5
Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	2	AND
FRI	GE	6	AND

- h. Substrata Number: 7
 Substrata Name: S/S #2 Store UI Not Equal STD
 UI
 Priority Number: 7
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 10
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
CNV	NE	1	AND
SSL	EQ	2	AND

- i. Substrata Number: 8
 Substrata Name: S/S #2 All Other Items In
 Population
 Priority Number: 8
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 5
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	2	AND

- j. Strata Number: 1
 Strata Name: S/S #1 Total Accuracy
 Strata Description: Combines Substrata 1, 2, 3,
 and 4 for all S/S #1 Items.

- k. Strata Number: 2
 Strata Name: S/S #2 Total Accuracy
 Strata Description: Combines Substrata 5, 6, 7,
 and 8 for all S/S #2 Items.

- l. Additional Strata equivalent to 1 and 2 above
 would be made for each discrete S/S setup.

- m. Strata Number: 3
 Strata Name: Overall S/S High Dollar Value
 Strata Description: Combines Substrata 1, 5,
 (... etc. as required for additional S/S setups)

- n. Strata Number: 4
Strata Name: Overall S/S High Frequency
Strata Description: Combines Substrata 2 and 6
(... etc. as required for additional S/S setups)
- o. Strata Number: 5
Strata Name: Overall S/S Store UI not equal
Standard UI
Strata Description: Combines Substrata 3 and 7
(...etc. as required for additional setups)
- p. Strata Number: 6
Strata Name: Overall S/S All Other Items In
Population
Strata Description: Combines Substrata 4, 8,
(... etc. as required for additional S/S setups)

2. Validate and initiate the setup. (NOTE: Verify that no other SPITFIIRE S/S inventories are in progress or completed. All existing setups must have a "NEW INVENTORY", "SAVED", "HISTORICAL", or "CANCELLED" status.

3. Set the "Maximum Dollar Discrepancy" (Code Number DOD) in the Reference Codes Table to \$500.00. This will automatically summarize all adjustments of \$500 or more for management review.

4. Select the inventory sample. After the sample has been selected and the setup has been reviewed to ensure the inventory is correctly defined, print the following report:

Report Code	Report Name	Detail Level
SP9PSVA	Setup Definition	Detail

5. Print the count cards. Only print as many count cards each day as are expected to be completed by the count team. Print additional cards each day the inventory is in progress until all cards are printed. Conduct the inventory. When the inventory is complete, close out the inventory.

6. Print the following reports:

Report Code	Report Name	Detail Level
SP9ESCF (or SPP300E)	SPITFIIRE Final Statistics	Comprehensive/ Detail
SP9ESCB	S/S Inventory Results	Summary
SP9INVH	Inv Adj Discrepancies	Detail

SP9INVM

Adj. Reason Report

Summary

7. Print the following report after completion of the Location Survey.

SP9LOCC

Location Accuracy Report

Summary

II. DMI Material Inventory.

DMI material inventories set up and executed as follows will provide inventory accuracy information for specific long term availabilities (customer order) and also provide corresponding inventory accuracy information summarized for the overall combined DMI account. The sample setup shown below is for two DMI shop stores. The setups in subparagraphs 1.b., 1.c., and 1.d. should be repeated using different shop stores as attributes for as many additional shop stores as required in each depot.

1. Enter the setup parameters as follows:

a. Setup Code: D + DEPOT CODE (Use the standardized NADEP code from the list of para. I. 1. a. and date).

Inventory Type: DMI

Allocation Method: P (proportional)

Estimated Confidence: 100%

Estimated Bounds: 0%

Overflow: N

Total Number of Substrata: 4 (2 times the number of long term availabilities to be inventoried).

Total Number of Strata: 4 (2 plus the number of long term availabilities to be inventoried).

b. Substrata Number: 1

Substrata Name: DMI S/S #1 High Dollar Value

Priority Number: 1

Estimated Accuracy: 65% or historical

Cost to Sample: 1 (system default)

Variable Accuracy %: 0

Variable Accuracy \$: 0

Safety Size: 5

Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	1	AND
UP	GT	500	AND

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- c. Substrata Number: 2
 Substrata Name: DMI S/S #1 All Other
 Priority Number: 3
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 0

Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	1	AND
UP	LE	500	AND

- d. Substrata Number: 3
 Substrata Name: DMI S/S # 2 High Dollar Value
 Priority Number: 4
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	2	AND
UP	GT	500	AND

- e. Substrata Number: 4
 Substrata Name: DMI S/S #2 All Other
 Priority Number: 6
 Estimated Accuracy: 65% or historical
 Cost to Sample: 1
 Variable Accuracy %: 0
 Variable Accuracy \$: 0
 Safety Size: 5
 Selection Criteria:

Attribute	Relation	Value	Conjunction
SSL	EQ	2	AND
UP	LE	500	AND

- f. Strata Number: 1
 Strata Name: DMI S/S #1 Inventory Account.
 Strata Description: Combines Substrata 1 and 2
 for availability #1.

- g. Strata Number: 2
 Strata Name: DMI S/S #2 Inventory Account.
 Strata Description: Combines Substrata 3 and 4

for availability #2.

- h. Strata Number: 3
Strata Name: All DMI High Dollar Value
Strata Description: Combines Substrata 1 and 3
for high dollar value DMI.
- i. Strata Number: 4
Strata Name: All DMI Other Material
Strata Description: Combines Substrata 2 and 4
for all DMI material other than High Dollar Value.

2. Validate and initiate the setup. (NOTE: Verify that no other SPITFIIRE DMI inventories are in progress or completed. All existing setups must have a "NEW INVENTORY", "SAVED", "HISTORICAL", OR "CANCELLED" status.

3. Set the "Maximum Dollar Discrepancy" (Code Number DOD) in the Reference Codes Table to equal \$500.00. This will automatically summarize all adjustments of \$500.00 or more for management review.

4. Select the inventory sample. After the sample has been selected and the setup has been reviewed to ensure the inventory is correctly defined, print the following report:

Report Code	Report Name	Detail Level
SP9PSVA	Setup Definition	Detail

5. Print the count cards. Only print as many count cards each day as are expected to be completed by the count team. Print additional cards each day the inventory is in progress until all cards are printed. Conduct the inventory. When the inventory is complete, close out the inventory.

6. Print the following reports:

Report Code	Report Name	Detail Level
SP9ESCF (or SPP300E)	SPITFIIRE Final Statistics	Comprehensive/ Detail
SP9INVH	Inv Adj Discrepancies	Detail
SP9INVM	Adjustment Reason Report	Summary

7. Print the following report after completion of the Location Survey.

Report Code	Report Name	Detail Level
SP9LOCC	Location Accuracy Report	Summary

SPITFIIRE STANDARD ERROR CODES

VALUE	DESCRIPTION
1. ADJ	Previous Adjustment Incorrect
2. BO	Backorder release not issued
3. BRK	Unreported breakage or scrap
4. CAP	Capitalization processed - material not received
5. CNT	Counting Error
6. DI	Duplicate Issue
7. DR	Duplicate Receipt
8. INS	Inspect material for DBOF kept in shop aft inspection
9. ISS	Issue transaction processed - material not pulled
10. KEY	Keypunch error
11. LOC	Material in wrong Location - Location not on DBOF
12. MIM	Misidentified material
13. MIS	Material miscounted when received
14. MIT	Stowage DOC material lost in transit
15. MIX	Mixed material in bins
16. MTS	Material turned into store - no transaction made
17. OFF	Off-line issue not posted
18. PHY	Physical inventory count wrong
19. PRN	Printer problem - report not checked
20. QTY	Wrong quantity issued
21. ROD	MIT/QDR/ROD material off record - not pulled
22. SRI	SRI Backorder release - due reassignment to DBOF - material sent to shop
23. STS	Store to store transfer material not received
24. STW	Stowage of receipted material not timely
25. SUB	Substitute NSN received - transaction not completed
26. TMN	MTIS transaction made - material not sent / received
27. UNT	Unit of Issue error
28. UO	Undetermined overage
29. US	Undetermined shortage
30. XS	Excess transaction processed material not pulled

ENCLOSURE (3)

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DATE: _____
ACTIVITY: _____
PERIOD COVER: _____

QUARTERLY UNSCHEDULED PHYSICAL INVENTORY REPORT

TYPE INVENTORY	QUANTITY
SPOTS	_____
WAREHOUSE REFUSAL	_____
NEGATIVE ON-HAND	_____
TOTAL	_____

TYPE	QUANTITY	\$ VALUE
GAINS	_____	_____
LOSSES	_____	_____
NO ADJUSTMENT	_____	_____

POST - RECONCILIATION ADJUSTMENTS

TYPE	\$ VALUE	GMA %
GAIN REVERSAL	_____	
LOSSES REVERSAL	_____	
GROSS REVERSAL	_____	
GROSS PRE-RECONCILIATION	_____	
GROSS ADJUSTED	_____	_____

ENCLOSURE (4)

27/28R
27
28B